



OVERSIGHT BOARD FOR THE SUCCESSOR AGENCY TO THE ARTESIA REDEVELOPMENT AGENCY AGENDA REPORT

MEETING DATE:
06/03/15

CONTROL NO:

ITEM NO: 2

TO: CHAIR AND MEMBERS OF THE OVERSIGHT BOARD

SUBJECT: CONSOLIDATED NON-HOUSING BOND PROCEEDS FUNDING
AGREEMENT

AND

RESOLUTION NO. OB 15-39

A RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR
AGENCY TO THE ARTESIA REDEVELOPMENT AGENCY APPROVING
THE EXECUTION OF A CONSOLIDATED NON-HOUSING BOND
PROCEEDS FUNDING AGREEMENT BETWEEN THE SUCCESSOR
AGENCY AND THE CITY OF ARTESIA

FROM: Justine Menzel, Deputy Executive Director

PRESENTATION BY: Justine Menzel, Deputy Executive Director

BACKGROUND

The former Artesia Redevelopment Agency issued tax allocation bonds in 2007 (the "2007 Bonds"), for the purpose of financing projects of the benefit to the Artesia Redevelopment Project Area (the "Project Area").

Pursuant to Section 34191.4 of the Health and Safety Code ("HSC"), after the Successor Agency has received a finding of completion (the "Finding of Completion") issued by the California State Department of Finance under HSC Section 34179.7, remaining unspent proceeds of the 2007 Bonds (the "2007 Bond Proceeds") shall be used for the purposes for which the 2007 Bonds were sold, in a manner consistent with the bond covenants.

Two projects of benefit to the Project Area are the Pioneer Boulevard Project (consisting of street improvements to Pioneer Boulevard, the City's downtown arterial roadway) and the Historical District Project (consisting of improvements to the City's Historical District). Because of the limited staffing of the Successor Agency and the traditional role and established procedures of the City of Artesia (the "City") with respect to the awarding of public works contracts, the Successor Agency and the City previously entered into two agreements (the "Prior Agreements"), with the Oversight Board's and the DOF's approval: (i) the Pioneer Downtown Revitalization Project Bond Proceeds Funding Agreement, dated as of May 13, 2013, and (ii) the Historical District Recreation Area Bond Proceeds Funding Agreement, dated as of January 13, 2014. Pursuant to the Prior Agreements, the Successor Agency transferred the 2007 Bond Proceeds, in the aggregate amount of \$3,982,256.09 to the City, for the City to perform (or caused to be performed) work with respect to the Pioneer Boulevard Project and the Historical District Project.

In light of current project status, the City Staff reports that it is desirable to apply a portion of the 2007 Bond Proceeds originally transferred for the Historical District Project to the Pioneer Boulevard Project. However, the Prior Agreements currently do not provide flexibility for the City to unilaterally make such an adjustment to accommodate changed circumstances.

The Successor Agency and the City propose to enter into a Consolidated Non-Housing Bond Proceeds Funding Agreement (the "Consolidating Funding Agreement"), in substantially the form attached to Resolution OB 15-39. Once executed, the Consolidated Funding Agreement will supersede the Prior Agreements. Pursuant to the Consolidated Funding Agreement, the City will have the flexibility to use the 2007 Bond Proceeds on the Pioneer Boulevard Project, the Historical District Project, or other projects of benefit to the Project Area, based on the on-going needs of the projects as determined by the City, so long as the 2007 Bond Proceeds are used in a manner consistent with bond covenants.

FISCAL IMPACT

This Item pertains only the 2007 Bond Proceeds already transferred to the City under the Prior Agreements and do not require additional funding from the Successor Agency.

RECOMMENDATION

The Oversight Board is requested to approve Resolution No. OB 15-39.

ATTACHMENTS

Resolution No. OB 15-39, with Consolidated Funding Agreement (in substantially final form) as Exhibit A

CONSOLIDATED NON-HOUSING BOND PROCEEDS FUNDING AGREEMENT

This CONSOLIDATED NON-HOUSING BOND PROCEEDS FUNDING AGREEMENT (this “Agreement”), dated as of _____, 2015, is entered into by and between the City of Artesia (the “City”) and the Successor Agency to the Artesia Redevelopment Agency (the “Successor Agency,” and together with the City, the “Parties”).

RECITALS:

A. On December 20, 2007, the former Artesia Redevelopment Agency (the “Former Agency”) issued its Artesia Redevelopment Project Area, 2007 Tax Allocation Bonds (the “2007 Bonds”), in the principal amount of \$12,920,000, pursuant to an Indenture, dated as of December 1, 2007 (the “Indenture”), by and between the Former Agency and Wells Fargo Bank, National Association, as trustee.

B. The 2007 Bonds were issued to finance redevelopment projects of benefit to the Artesia Redevelopment Project Area (the “Project Area”).

C. Pursuant to AB X1 26, which was enacted in June 2011, and the California Supreme Court’s decision in *California Redevelopment Association, et al. v. Ana Matosantos, et al.*, 53 Cal.4th 231 (2011), the Former Agency was dissolved as of February 1, 2012, the Successor Agency was constituted, and the Oversight Board to the Successor Agency (the “Oversight Board”) was established.

D. Pursuant to Section 34175(b) of the California Health and Safety Code (“HSC”), all assets, properties and contracts of the Former Agency, including the unspent proceeds of the 2007 Bonds (the “2007 Bond Proceeds”), transferred to the control of the Successor Agency by operation of law.

E. According to HSC Section 34191.4, after the Successor Agency’s receipt of a finding of completion (the “Finding of Completion”) issued by the California State Department of Finance (the “DOF”) pursuant to HSC Section 34179.7, the 2007 Bond Proceeds shall be used for the purposes for which the 2007 Bonds were sold, in a manner consistent with the bond covenants.

F. By DOF’s letter, dated April 18, 2013, the DOF informed the Successor Agency that the DOF has issued a Finding of Completion to the Successor Agency.

G. Because of the limited staffing of the Successor Agency and the traditional role and established procedures of the City with respect to the awarding of public works contracts, the Successor Agency and the City previously entered into the Pioneer Downtown Revitalization Project Bond Proceeds Funding Agreement, dated as of May 13, 2013 (the “Pioneer Boulevard Agreement”), and the Historical District Recreation Area Bond Proceeds Funding Agreement, dated as of January 13, 2014 (the “Historical District Agreement,” and together with the Pioneer Boulevard Agreement, the “Prior Agreements”).

H. The Successor Agency's execution and delivery of the Prior Agreements were approved by the Oversight Board and the DOF.

I. Pursuant to the Pioneer Boulevard Agreement, the City agreed to perform (or cause to be performed) work for street improvements to Pioneer Boulevard, the City's downtown arterial roadway (the "Pioneer Boulevard Project"), with payment therefor to be made from the 2007 Bond Proceeds.

J. Pursuant to the Historical District Agreement, the City agreed to perform (or cause to be performed) work for improvements to the City's historical district (the "Historical District Project"), with payment therefor to be made from the 2007 Bond Proceeds.

K. Pursuant to the Prior Agreements and further pursuant to Recognized Obligation Payment Schedules ("ROPS") approved by the Oversight Board and the DOF, the Successor Agency previously transferred 2007 Bond Proceeds to the City, in the amount of \$2,794,756.09 for the Pioneer Boulevard Project and in the amount of \$1,187,500.00 for Historical District Project, respectively.

L. In light of current project status, it may be desirable to apply a portion of the 2007 Bond Proceeds originally transferred for the Historical District Project to the Pioneer Boulevard Project.

M. The Successor Agency and the City desire to enter into this Agreement, to consolidate the Prior Agreements and provide flexibility regarding the expenditure of the 2007 Bond Proceeds on the Pioneer Boulevard Project, the Historical District Project, or other projects of benefit to the Project Area, based on the on-going needs of the projects as determined by the City, so long as the 2007 Bond Proceeds are used in a manner consistent with bond covenants.

N. Pursuant to HSC Sections 34178(a) and 34180(h), with the approval of the Oversight Board, the Successor Agency may enter into agreements with the City.

O. Resolution No. OB ____, adopted by the Oversight Board on ____, 2015, approving the Successor Agency's execution and delivery of this Agreement was approved by the DOF pursuant to HSC Section 34179(h) on ____, 2015.

NOW, THEREFORE, THE PARTIES DO HEREBY AGREE AS FOLLOWS:

Section 1. Upon the Parties' execution of this Agreement, each of Prior Agreements shall be superseded by this Agreement, in their entirety.

Section 2. The Parties acknowledge that, pursuant to the Prior Agreements and prior ROPS approved by the Oversight Board and the DOF, the Successor Agency previously transferred 2007 Bond Proceeds, in the total amount of \$3,982,256.09 to the City. The City shall use such 2007 Bond Proceeds for the Pioneer Boulevard Project, the Historical District Project and/or such other projects of benefit to the Project Area, as determined by the City (collectively, the "Projects"), in accordance with the provisions of this Agreement.

Section 3. Subject to the provisions of this Agreement and with the funding provided pursuant hereto, the City agrees to perform, or cause to be performed, all work required for the Projects, including but not limited to the preparation of designs, plans and specifications and all demolitions, construction and installations. The City shall perform such work in accordance with all applicable federal, state and local laws, rules and regulations. Subject to the covenants set forth herein, the City shall have the sole discretion with respect to the design, planning, specification and the timing with respect to all components of the Projects.

Section 4. To the extent the City still holds unspent 2007 Bond Proceeds transferred pursuant to this Agreement after the completion of the Projects (as determined by the legislative body of the City), the City shall return such unspent 2007 Bond Proceeds to the Successor Agency within a reasonable time after such determination.

Section 5. The City covenants that it shall use the 2007 Bond Proceeds in a manner consistent with the covenants in the Indenture, including, but not limited to, any covenants regarding the tax-exempt status of interest on the 2007 Bonds under the Internal Revenue Code of 1986, as amended, and any regulations promulgated thereunder.

Section 6. Each Party shall maintain books and records regarding its duties pursuant to this Agreement. Such books and records shall be available for inspection by the officers and agents of the other Party at all reasonable times.

Section 7. The Parties agree to take all appropriate steps and execute any documents which may reasonably be necessary or convenient to implement the intent of this Agreement.

Section 8. This Agreement may be amended from time to time by written instrument executed by both Parties.

Section 9. No official, agent, or employee of the Successor Agency or the City, or members of the City Council, or members of the Successor Agency Board of Directors or Oversight Board shall be individually or personally liable for any payment hereunder in the event of any default or breach by the Successor Agency or the City, or for any amount which may otherwise become due to the City or Successor Agency, or successor thereto, or on any obligations under the terms of this Agreement.

Section 10. This Agreement is made in the State of California under the Constitution and laws of the State of California, and is to be so construed.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their duly authorized officers.

CITY OF ARTESIA

By _____
Mayor

ATTEST:

City Clerk

**SUCCESSOR AGENCY TO THE ARTESIA
REDEVELOPMENT AGENCY**

By _____
Chairperson

ATTEST:

Secretary

APPROVED:

**OVERSIGHT BOARD TO THE SUCCESSOR
AGENCY TO THE ARTESIA
REDEVELOPMENT AGENCY**

By: _____
Chair

Date

RESOLUTION NO. OB 15-39

A RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE ARTESIA REDEVELOPMENT AGENCY APPROVING THE EXECUTION OF A CONSOLIDATED NON-HOUSING BOND PROCEEDS FUNDING AGREEMENT BETWEEN THE SUCCESSOR AGENCY AND THE CITY OF ARTESIA AND TAKING CERTAIN RELATED ACTIONS

Recitals:

A. On December 20, 2007, the former Artesia Redevelopment Agency (the “Former Agency”) issued its Artesia Redevelopment Project Area, 2007 Tax Allocation Bonds (the “2007 Bonds”), in the principal amount of \$12,920,000, pursuant to an Indenture, dated as of December 1, 2007 (the “Indenture”), by and between the Former Agency and Wells Fargo Bank, National Association, as trustee.

B. The 2007 Bonds were issued to finance redevelopment projects of benefit to the Artesia Redevelopment Project Area (the “Project Area”).

C. Pursuant to AB X1 26, which was enacted in June 2011, and the California Supreme Court’s decision in *California Redevelopment Association, et al. v. Ana Matosantos, et al.*, 53 Cal.4th 231 (2011), the Former Agency was dissolved as of February 1, 2012, the Successor Agency was constituted, and the Oversight Board to the Successor Agency (the “Oversight Board”) was established.

D. Pursuant to Section 34175(b) of the California Health and Safety Code (“HSC”), all assets, properties and contracts of the Former Agency, including the unspent proceeds of the 2007 Bonds (the “2007 Bond Proceeds”), transferred to the control of the Successor Agency by operation of law.

E. According to HSC Section 34191.4, after the Successor Agency’s receipt of a finding of completion (the “Finding of Completion”) issued by the California State Department of Finance (the “DOF”) pursuant to HSC Section 34179.7, the 2007 Bond Proceeds shall be used for the purposes for which the 2007 Bonds were sold, in a manner consistent with the bond covenants.

F. By DOF’s letter, dated April 18, 2013, the DOF informed the Successor Agency that the DOF has issued a Finding of Completion to the Successor Agency.

G. Because of the limited staffing of the Successor Agency and the traditional role and established procedures of the City of Artesia (the “City”) with respect to the awarding of public works contracts, the Successor Agency and the City previously entered into the Pioneer Downtown Revitalization Project Bond Proceeds Funding Agreement, dated as of May 13, 2013 (the “Pioneer Boulevard Agreement”), and the Historical District Recreation Area Bond

Proceeds Funding Agreement, dated as of January 13, 2014 (the “Historical District Agreement,” and together with the Pioneer Boulevard Agreement, the “Prior Agreements”).

H. The Successor Agency’s execution and delivery of the Prior Agreements were approved by the Oversight Board and the DOF.

I. Pursuant to the Pioneer Boulevard Agreement, the City agreed to perform (or cause to be performed) work for street improvements to Pioneer Boulevard, the City’s downtown arterial roadway (the “Pioneer Boulevard Project”), with payment therefor to be made from the 2007 Bond Proceeds.

J. Pursuant to the Historical District Agreement, the City agreed to perform (or cause to be performed) work for improvements to the City’s historical district (the “Historical District Project”), with payment therefor to be made from the 2007 Bond Proceeds.

K. Pursuant to the Prior Agreements and further pursuant to Recognized Obligation Payment Schedules (“ROPS”) approved by the Oversight Board and the DOF, the Successor Agency previously transferred 2007 Bond Proceeds to the City, in the amount of \$2,794,756.09 for the Pioneer Boulevard Project and in the amount of \$1,187,500.00 for Historical District Project, respectively.

L. In light of current project status, it may be desirable to apply a portion of the 2007 Bond Proceeds originally transferred for the Historical District Project to the Pioneer Boulevard Project.

M. The Successor Agency and the City desire to enter into a Consolidated Non-Housing Bond Proceeds Funding Agreement (the “Consolidating Funding Agreement”), to consolidate the Prior Agreements and provide flexibility regarding the expenditure of the 2007 Bond Proceeds on the Pioneer Boulevard Project, the Historical District Project, or other projects of benefit to the Project Area, based on the on-going needs of the projects as determined by the City, so long as the 2007 Bond Proceeds are used in a manner consistent with bond covenants.

N. Pursuant to HSC Sections 34178(a) and 34180(h), with the approval of the Oversight Board, the Successor Agency may enter into agreements with the City.

NOW, THEREFORE, THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE ARTESIA REDEVELOPMENT AGENCY, HEREBY FINDS, DETERMINES, RESOLVES, AND ORDERS AS FOLLOWS:

Section 1. The above recitals are true and correct and are a substantive part of this Resolution.

Section 2. This Oversight Board hereby approves the execution and delivery by the Successor Agency of the Consolidated Funding Agreement, substantially in the form attached hereto as Exhibit A.

Section 3. This Board hereby requests the Oversight Board to approve the execution and delivery by the Successor Agency of the Consolidated Funding Agreement. The Secretary of the Successor Agency is hereby directed to transmit this Resolution to the Oversight Board for consideration at the earliest possible date.

Section 4. The members of this Oversight board and the staff of the Successor Agency are hereby authorized, jointly and severally, to do all things which they may deem necessary or proper to effectuate the purposes of this Resolution and the Consolidated Funding Agreement.

PASSED AND ADOPTED this 3rd day of June, 2015.

Kathrin Wardle, Vice Chair

ATTEST:

Gloria Considine, Secretary

EXHIBIT A

Consolidated Non-Housing Bond Proceeds Funding Agreement

(see attached)